

## ARMARDA GROUP LIMITED

### Third Quarter Financial Statement And Dividend Announcement

Financial statements on combined results of the Group for the third quarter of Financial Year 2009 (FY2009) ended 30 September 2009. These figures have not been audited.

#### PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

1(a)(i) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

**ARMARDA GROUP LIMITED**  
**CONSOLIDATED INCOME STATEMENT**  
**FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2009**  
(Expressed in Hong Kong thousand dollars)

	Three months ended 30th September			Nine months ended 30th September		
	2009	2008	Change %	2009	2008	Change %
Revenue	4,605	17,833	-74%	24,097	59,715	-60%
Other income	153	313	N/M	626	1,157	N/M
Staff costs	(3,027)	(5,187)	-42%	(11,584)	(15,726)	-26%
Depreciation	(936)	(971)	-4%	(2,793)	(2,867)	-3%
Amortisation of intangible asset	(1,293)	-	N/M	(3,879)	-	N/M
Impairment of goodwill	(28,000)	-	N/M	(28,000)	-	N/M
Cost of goods sold	(1,609)	(5,753)	-72%	(9,332)	(19,574)	-52%
Other expenses	(5,880)	(4,761)	24%	(14,381)	(13,846)	4%
Finance costs	(20)	(18)	11%	(52)	(43)	21%
Share of profit of associates	196	395	-50%	846	1,400	-40%
<b>(Loss) / profit before taxation</b>	<b>(35,811)</b>	<b>1,851</b>	<b>N/M</b>	<b>(44,452)</b>	<b>10,216</b>	<b>N/M</b>
Income tax expense	-	(116)	N/M	-	(538)	N/M
<b>(Loss) / profit for the quarter</b>	<b>(35,811)</b>	<b>1,735</b>	<b>N/M</b>	<b>(44,452)</b>	<b>9,678</b>	<b>N/M</b>
<b>Attributable to:</b>						
Equity shareholders of the Company	(35,811)	829	N/M	(44,452)	6,687	N/M
Minority interest	-	906	N/M	-	2,991	N/M
<b>(Loss) / profit for the quarter</b>	<b>(35,811)</b>	<b>1,735</b>	<b>N/M</b>	<b>(44,452)</b>	<b>9,678</b>	<b>N/M</b>

1(a)(ii) An consolidated statement (for the group) of comprehensive income together with a comparative statement for the corresponding period of the immediately preceding financial year

**ARMARDA GROUP LIMITED**  
**CONSOLIDATED COMPREHENSIVE INCOME STATEMENT**  
**FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2009**  
(Expressed in Hong Kong thousand dollars)

	Three months ended 30th September			Nine months ended 30th September		
	FY2009	FY2008	Change %	FY2009	FY2008	Change %
<b>(Loss) / profit for the quarter</b>	<b>(35,811)</b>	<b>1,735</b>	<b>N/M</b>	<b>(44,452)</b>	<b>9,678</b>	<b>N/M</b>
<b>Other comprehensive income</b>						
Exchange differences on translating foreign operations	-	-	N/M	-	-	N/M
Cash flow hedges	-	-	N/M	-	-	N/M
Share of cash flow hedges of associate	-	-	N/M	-	-	N/M
<b>Total comprehensive (loss) / income for the quarter</b>	<b>(35,811)</b>	<b>1,735</b>	<b>N/M</b>	<b>(44,452)</b>	<b>9,678</b>	<b>N/M</b>
<b>Total comprehensive (loss) / income attributable to:</b>						
Equity shareholders of the Company	(35,811)	829	N/M	(44,452)	6,687	N/M
Minority interest	-	906	N/M	-	2,991	N/M
	<b>(35,811)</b>	<b>1,735</b>	<b>N/M</b>	<b>(44,452)</b>	<b>9,678</b>	<b>N/M</b>

N/M : Not Meaningful

**1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year**

**ARMARDA GROUP LIMITED**  
**BALANCE SHEET**  
**AS AT 30 SEPTEMBER 2009**  
**(Expressed in Hong Kong thousand dollars)**

	<u>The Group</u>		<u>The Company</u>	
	<u>As at 30.09.2009</u>	<u>As at 31.12.2008</u>	<u>As at 30.09.2009</u>	<u>As at 31.12.2008</u>
<b>Non-current assets</b>				
Investment in subsidiaries	-	-	51,220	51,220
Interest in an associate	24,980	24,134	-	-
Intangible assets	92,996	97,782	-	-
Property, plant and equipment	8,705	9,562	-	-
Amounts due from subsidiaries	-	-	168,540	147,474
Other assets	900	900	-	-
Prepayments	2,608	1,304	-	-
	<u>130,189</u>	<u>133,682</u>	<u>219,760</u>	<u>198,694</u>
<b>Current assets</b>				
Trade and other receivables	108,118	120,345	180	218
Cash and cash equivalents	38,687	65,943	4	4
	<u>146,805</u>	<u>186,288</u>	<u>184</u>	<u>222</u>
<b>Current liabilities</b>				
Obligations under finance lease	12	45	-	-
Other payables and accruals	19,928	35,395	1,298	1,063
Taxation payable	166	411	-	-
	<u>20,106</u>	<u>35,851</u>	<u>1,298</u>	<u>1,063</u>
<b>Net current assets/(liabilities)</b>	<u>126,699</u>	<u>150,437</u>	<u>(1,114)</u>	<u>(841)</u>
<b>Non-current liabilities</b>				
Obligations under finance lease	-	-	-	-
Deferred tax liabilities	2,345	2,345	-	-
	<u>2,345</u>	<u>2,345</u>	<u>-</u>	<u>-</u>
<b>Net assets</b>	<u><b>254,543</b></u>	<u><b>281,774</b></u>	<u><b>218,646</b></u>	<u><b>197,853</b></u>
<b>Total equity</b>				
Share capital	102,261	77,636	102,261	77,636
Reserves	152,282	195,860	116,385	120,217
Total equity attributable to equity shareholders of the Company	254,543	273,496	218,646	197,853
Minority interest	-	8,278	-	-
	<u><b>254,543</b></u>	<u><b>281,774</b></u>	<u><b>218,646</b></u>	<u><b>197,853</b></u>

**1(b)(ii) Aggregate amount of group's borrowings and debt securities**

**Amount repayable in one year or less, or on demand**

As at 30.09.2009 In HK\$'000		As at 31.12.2008 In HK\$'000	
Secured	Unsecured	Secured	Unsecured
12	0	45	0

**Amount repayable after one year**

As at 30.09.2009 In HK\$'000		As at 31.12.2008 In HK\$'000	
Secured	Unsecured	Secured	Unsecured
0	0	0	0

**Details of any collateral**

The above hire purchase loans were secured by the Group's motor vehicles

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

**ARMARDA GROUP LIMITED**  
**CONSOLIDATED CASH FLOW STATEMENT**  
**FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2009**  
(Expressed in Hong Kong thousand dollars)

	Three Months Ended		Nine Months Ended	
	30.09.2009	30.09.2008	30.09.2009	30.09.2008
<b>Cash flows from operating activities</b>				
(Loss) / profit before taxation	(35,811)	1,851	(44,452)	10,216
Adjustment for :				
Interest income	(153)	(313)	(626)	(1,157)
Share of profits of an associate	(196)	(395)	(846)	(1,400)
Finance costs	20	18	52	43
Depreciation	936	971	2,793	2,867
Amortisation of intangible asset	1,293	-	3,879	-
Impairment of goodwill	28,000	-	28,000	-
Equity settled share-based payment	-	2,520	2,844	7,560
	(5,911)	4,652	(8,356)	18,129
(Increase) / decrease in trade and other receivables	5,433	(3,436)	(2,093)	(5,321)
Increase / (decrease) in other payables and accruals	(601)	(114)	(4,638)	(3,552)
	(1,079)	1,102	(15,087)	9,256
Interest received	153	313	626	1,157
Interest paid	(20)	(18)	(52)	(43)
Income taxes paid	-	(407)	(125)	(748)
<b>Net cash generated from / (used in) operating activities</b>	<b>(946)</b>	<b>990</b>	<b>(14,638)</b>	<b>9,622</b>
<b>Cash flows from investing activities</b>				
Addition of property, plant and equipment	(388)	(345)	(1,936)	(1,394)
Payment for development of an intangible asset	-	-	(1,304)	-
Payment for the acquisition of an associate	-	-	-	(3,933)
Payment for the acquisition of a subsidiary	-	-	(32,000)	(33,000)
Proceeds received from issue of new shares	-	-	24,625	-
Payment of share issue expenses	-	-	(1,970)	-
Cash acquired from a subsidiary	-	-	-	1,327
<b>Net cash generated from / (used in) investing activities</b>	<b>(388)</b>	<b>(345)</b>	<b>(12,585)</b>	<b>(37,000)</b>
<b>Cash flows from financing activities</b>				
Repayment of finance lease obligations	(11)	(21)	(33)	(63)
<b>Net cash generated from / (used in) financing activities</b>	<b>(11)</b>	<b>(21)</b>	<b>(33)</b>	<b>(63)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>(1,345)</b>	<b>624</b>	<b>(27,256)</b>	<b>(27,441)</b>
<b>Cash and cash equivalents at beginning of the period</b>	<b>40,032</b>	<b>116,998</b>	<b>65,943</b>	<b>145,063</b>
<b>Cash and cash equivalents at end of the period</b>	<b>38,687</b>	<b>117,622</b>	<b>38,687</b>	<b>117,622</b>
An analysis of cash and cash equivalents as follows :				
<b>Cash at bank and in hand</b>	<b>38,687</b>	<b>117,622</b>	<b>38,687</b>	<b>117,622</b>

**1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year**

<i>The Group</i>	Share Capital	Share Premium	Foreign Exchange Translation Reserve	Share-Based Capital Reserve	PRC Statutory Reserve	Re-Valuation Reserve	Minority Interest	Retained Profits / (Accum. Losses)	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>At 31 December 2007</b>	<b>77,636</b>	<b>110,582</b>	<b>15,004</b>	<b>1,580</b>	<b>5,812</b>	-	-	<b>50,495</b>	<b>261,109</b>
Equity settled share-based payment	-	-	-	5,040	-	-	-	-	5,040
Share of capital in subsidiary	-	-	-	-	-	-	2	-	2
Net profit/(loss) for the quarter from 1.1.2008 to 30.6.2008	-	-	-	-	-	-	2,085	5,858	7,943
<b>At 30 June 2008</b>	<b>77,636</b>	<b>110,582</b>	<b>15,004</b>	<b>6,620</b>	<b>5,812</b>	-	<b>2,087</b>	<b>56,353</b>	<b>274,094</b>
Equity settled share-based payment	-	-	-	2,520	-	-	-	-	2,520
Share of capital in subsidiary	-	-	-	-	-	-	-	-	-
Net profit/(loss) for the quarter from 1.7.2008 to 30.9.2008	-	-	-	-	-	-	906	829	1,735
<b>At 30 September 2008</b>	<b>77,636</b>	<b>110,582</b>	<b>15,004</b>	<b>9,140</b>	<b>5,812</b>	-	<b>2,993</b>	<b>57,182</b>	<b>278,349</b>
Exchange difference on translation of financial statements of foreign entities	-	-	10,062	-	-	-	-	-	10,062
Equity settled share-based payment	-	-	-	560	-	-	-	-	560
Appropriation to reserve	-	-	-	-	51	-	-	(51)	-
Revaluation surplus on acquisition of a subsidiary	-	-	-	-	-	98	-	-	98
Contribution from minority interests	-	-	-	-	-	-	8,173	-	8,173
Dividend to minority interests	-	-	-	-	-	-	(4,270)	-	(4,270)
Net profit/(loss) for the quarter from 1.10.2008 to 31.12.2008	-	-	-	-	-	-	1,382	(12,580)	(11,198)
<b>At 31 December 2008</b>	<b>77,636</b>	<b>110,582</b>	<b>25,066</b>	<b>9,700</b>	<b>5,863</b>	<b>98</b>	<b>8,278</b>	<b>44,551</b>	<b>281,774</b>
Equity settled share-based payment	-	-	-	2,844	-	-	-	-	2,844
Issue of 123,125,000 new ordinary shares	24,625	-	-	-	-	-	-	-	<b>24,625</b>
New shares issue expenses	-	(1,970)	-	-	-	-	-	-	<b>(1,970)</b>
Net profit/(loss) for the quarter from 1.1.2009 to 30.6.2009	-	-	-	-	-	-	-	(8,641)	(8,641)
Elimination of minority interests	-	-	-	-	-	-	(8,278)	-	(8,278)
<b>At 30 June 2009</b>	<b>102,261</b>	<b>108,612</b>	<b>25,066</b>	<b>12,544</b>	<b>5,863</b>	<b>98</b>	-	<b>35,910</b>	<b>290,354</b>
Net profit/(loss) for the quarter from 1.7.2009 to 30.9.2009	-	-	-	-	-	-	-	(35,811)	(35,811)
<b>At 30 September 2009</b>	<b>102,261</b>	<b>108,612</b>	<b>25,066</b>	<b>12,544</b>	<b>5,863</b>	<b>98</b>	-	<b>99</b>	<b>254,543</b>

<i>The Company</i>	Share Capital	Share Premium	Foreign Exchange Translation Reserve	Share-Based Capital Reserve	PRC Statutory Reserve		Retained Profits / (Accum. Losses)	Total Equity
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		HK\$'000	HK\$'000
<b>At 31 December 2007</b>	77,636	110,582	-	1,580	-		2,595	192,393
Equity settled share-based payment	-	-	-	5,040	-		-	5,040
Net profit/(loss) for the quarter from 1.1.2008 to 30.6.2008	-	-	-	-	-		103	103
<b>At 30 June 2008</b>	77,636	110,582	-	6,620	-		2,698	197,536
Equity settled share-based payment	-	-	-	2,520	-		-	2,520
Net profit/(loss) for the quarter from 1.7.2008 to 30.9.2008	-	-	-	-	-		16	16
<b>At 30 September 2008</b>	77,636	110,582	-	9,140	-		2,714	200,072
Equity settled share-based payment	-	-	-	560	-		-	560
Net profit/(loss) for the quarter from 1.10.2008 to 31.12.2008	-	-	-	-	-		(2,779)	(2,779)
<b>At 31 December 2008</b>	77,636	110,582	-	9,700	-	-	(65)	197,853
Equity settled share-based payment	-	-	-	2,844	-		-	2,844
Issue of 123,125,000 new ordinary shares	24,625	-	-	-	-		-	24,625
New shares issue expenses	-	(1,970)	-	-	-		-	(1,970)
Net profit/(loss) for the quarter from 1.1.2009 to 30.6.2009	-	-	-	-	-		(1,349)	(1,349)
<b>At 30 June 2009</b>	102,261	108,612	-	12,544	-		(1,414)	222,003
Net profit/(loss) for the quarter from 1.7.2009 to 30.9.2009	-	-	-	-	-		(3,357)	(3,357)
<b>At 30 September 2009</b>	102,261	108,612	-	12,544	-		(4,771)	218,646

**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

The Company has issued a total of 123,125,000 new ordinary shares to six independent investors for a total cash consideration of HK\$24,625,000 on 29 May 2009.

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

The total number of issued shares excluding treasury shares as at 30 September 2009 was 511,307,140 (31 December 2008 : 388,182,140).

**1(d)(iv) A statement showing all sales, transfers, disposals, cancellation, and/or use of treasury shares as at the end of the current financial period reported on.**

As at 30 September 2009, the Company does not have any sales, transfers, disposals, cancellation, and/or use of treasury shares.

There are no treasury shares as at 30 September 2009.

**2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard)**

The figures have not been audited nor reviewed by the Group's auditors.

**3. Where the figures have been audited or reviewed, the auditors' report (including an qualifications or emphasis of matter)**

Not applicable.

**4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied**

Except as disclosed in paragraph 5 below, the Group has adopted the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited financial statements for the year ended 31 December 2008.

**5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change**

The Group adopted the new/revised IFRS and Interpretations of IFRS that are effective for financial year beginning on or after 1 January 2009. The adoption of the relevant IFRS and Interpretations of IFRS did not result in any substantial change to the Group's accounting policies or any significant impact on the financial statements for the quarter ended 30 September 2009.

**6. (Loss) / earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends**

**The Group**

(Loss) / earnings per ordinary share for the third quarter after deducting any provision for preference dividends:				
	<b>3 Months Ended 30.09.2009</b>	<b>3 Months Ended 30.09.2008</b>	<b>9 Months Ended 30.09.2009</b>	<b>9 Months Ended 30.09.2008</b>
Based on weighted average number of Ordinary shares in Issue (Please see note below)	<b>(7.00) HK cents</b>	<b>0.21 HK cents</b>	<b>(8.69) HK cents</b>	<b>1.72 HK cents</b>
On a fully diluted basis (Please see note below)	<b>Not applicable</b>	<b>Not applicable</b>	<b>Not applicable</b>	<b>Not applicable</b>



**Note 6a : Basic earnings per share**

The calculation of basic (loss) / earnings per share is based on the Group's loss attributable to ordinary shareholders of HK\$35,811,000 and HK\$44,452,000 for the three months and nine months ended 30 September 2009 respectively (FY2008 : profit of HK\$829,000 for the three months ended and HK\$6,687,000 for the nine months ended) and the weighted average number of ordinary shares of 511,307,140 (FY2008 : 388,182,140) in issue during the quarter.

**Note 6b : Diluted earnings per share**

There were no dilutive potential ordinary shares during the year and therefore diluted earnings per share are not presented.

**7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current financial period reported on and (b) immediately preceding financial year**

	<b>At 30.09.2009</b>	<b>At 31.12.2008</b>
Net asset value of the Company per ordinary share based on existing issue share capital	<b>HK\$ 0.43 per share</b>	<b>HK\$ 0.51 per share</b>
Net asset value of the Group per ordinary share based on existing issue share capital	<b>HK\$ 0.50 per share</b>	<b>HK\$ 0.73 per share</b>

The calculation of net asset value per share of the Company at 30 September 2009 was based on the Company's net asset value of HK\$218,646,000 (31 December 2008 of HK\$197,853,000) and 511,307,140 ordinary shares in issue at 30 September 2009 (388,182,140 ordinary shares in issue at 31 December 2008).

The calculation of net asset value per share of the Group at 30 September 2009 was based on the Group's net asset value of HK\$254,543,000 (31 December 2008 of HK\$281,774,000) and 511,307,140 ordinary shares in issue at 30 September 2009 (388,182,140 ordinary shares in issue at 31 December 2008).

**8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on****Revenue**

The Group's revenue generated in the third quarter of FY2009 decreased by approximately HK\$13.2 million to approximately HK\$4.6 million from approximately HK\$17.8 million generated in the third quarter of FY2008. The decrease was the result of the financial turmoil which slowed down the IT spending of most of the PRC banks and financial institutions including, but not limited to, significant decrease in the procurement of software products and IT equipment.

The following is a breakdown of the total IT revenue generated in the third quarter of FY2009 :

	<b>3rd Quarter FY2009 HK\$'000</b>	<b>3rd Quarter FY2008 HK\$'000</b>
Revenue from provision of IT services	2,715	9,897
Revenue from trading of IT equipment	1,890	7,936
	<u><u>4,605</u></u>	<u><u>17,833</u></u>

### **Cost of goods sold**

Cost of goods sold decreased by approximately HK\$4.1 million from approximately HK\$5.7 million in the third quarter of FY2008 to approximately HK\$1.6 million in the third quarter of FY2009 due to the corresponding decrease in the trading of IT equipment as disclosed above.

### **Other income**

This comprised mainly of the deposit interest income earned to the amount of approximately HK\$0.15 million in the third quarter of FY2009 as compared to approximately HK\$0.31 million earned in the third quarter of FY2008. The decrease of approximately HK\$0.16 million was due to the decrease in the average bank deposit interest rate in the third quarter of FY2009 as well as the decrease in the amount of fixed deposits placed in banks in the third quarter of FY2009 as compared to the third quarter of FY2008.

### **Operating expenses**

The Group's total operating expenses (including staff costs, depreciation, amortisation and other expenses but excluding cost of goods sold) remained almost the same at approximately HK\$11 million in the third quarter of both FY2008 and FY2009.

The following is a breakdown of the staff costs of the Group for the third quarter ended 30 September of FY2009 and FY2008 respectively:

	<b>3rd Quarter FY2009 HK\$'000</b>	<b>3rd Quarter FY2008 HK\$'000</b>
Staff salary and remuneration	3,027	2,667
Equity settled share-based payment	-	2,520
	<u><u>3,027</u></u>	<u><u>5,187</u></u>

On 12 April 2004, the Group established a share option scheme (the "Share Option Scheme") that entitles key management personnel and senior employees to purchase shares in the Company. As at 2 November 2007, 29 eligible participants accepted the offer of a total number of 25,000,000 options granted by the Company. Pursuant to the rules of the Share Option Scheme, options will lapse when the grantee ceases to be an employee of the Group for reasons other than death, redundancy, ill-health or retirement.

The fair value of services received in return for share options granted is based on the fair value of share options granted measured using a binomial model by professional valuer. The fair value of options at grant date has been computed as approximately S\$0.0988 per share option while the share price and option exercise price at grant date are S\$0.210 and S\$0.213 respectively.

The number of share options is as follows :

	<b>FY2009</b> <b>No. of options</b>	<b>FY2008</b> <b>No. of options</b>
Outstanding at 1 January	23,700,000	25,000,000
Granted during the first two quarters	-	-
Lapsed during the first two quarters	-	-
Exercised during the first two quarters	-	-
	<hr/>	<hr/>
<b>Outstanding at 30 September</b>	<b><u>23,700,000</u></b>	<b>25,000,000</b>
Granted during the remaining quarters		-
Lapsed during the remaining quarters		(1,300,000)
Exercised during the remaining quarters		-
		<hr/>
<b>Outstanding at 31 December</b>	<b>-</b>	<b><u>23,700,000</u></b>

No staff cost arising from this grant of share option was recognized in the third quarter of FY2009 since the total staff cost arising from this grant of share option of approximately HK\$12.54 million was fully amortized in the quarter prior to the third quarter of FY2009. (third quarter of FY2008 : approximately HK\$2.5 million).

Depreciation charges remained stable at approximately HK\$0.9 million in the third quarter of FY2009 as compared to approximately HK\$0.9 million in the third quarter of FY2008 as the Group did not make any material purchases, nor disposals, of property, plant and equipment during the year.

Amortisation of intangible asset, representing the customer relationship resulting from business combination, for the third quarter of FY2009 amounted to approximately HK\$1.3 million (the third quarter of FY2008 : nil).

An impairment of goodwill amounting to HK\$28 million was recognized in the third quarter of FY2009. Taking account into the worsening effects of the financial crisis extending into the IT sector in the PRC, in particular, at the end of second quarter of FY2009 as there is no signs of recovery in the third quarter, the management decided to conduct a reassessment exercise on Brilliant Time Limited's (BTL) business in respect of its revenue forecast and cash flow. With a pre-tax discount rate of 13.6% and weakening business sentiments which will affect the company's revenues, contracts and margins, resulting in an impairment where the amounts which exceeds will be reflected as a loss from impairment. Considering the major customers retained, it is expected that there would be only a reduction of sales amount, and no impairment allowance is necessary in view of customer relationship. The recognition of impairment loss of goodwill is the best estimation of the management in light of current market situation, and it will be subject to revision, in dependent on the opinions and judgment from external professional parties at the end of the year.

Other expenses increased by approximately HK\$1.1 million to approximately HK\$5.9 million in the third quarter of FY2009 from approximately HK\$4.8 million in the third quarter of FY2008. The increase was mainly attributed by the combination of (i) a decrease in consultancy and subcontracting fees of approximately HK\$1 million as a result of a decrease in IT services rendered to the Group's customers; and (ii) an increase in promotion, marketing, business travelling, and professional expenses incurred of approximately HK\$2.1 million arising from, inter-alia, the development of new business ventures primarily with potential PRC strategic partners as a result of the deterioration of the Group's core business.

### **Net loss after taxation**

The Group's net loss after taxation attributable to shareholders of the Group in the third quarter of FY2009 of approximately HK\$35.8 million was mainly attributable by (i) the decrease in total IT revenue of approximately HK\$13.2 million, (ii) the amortisation costs of intangible assets of approximately HK\$1.3 million and (iii) the impairment of goodwill of HK\$28 million.

### **Income tax**

The Group's profits derived from Hong Kong are subject to Hong Kong profits tax at 16.5% (FY2008: 17.5%). No provision for Hong Kong profits tax was made, as there was no assessable profits for Hong Kong profits tax for the third quarter of FY2009.

As a foreign invested enterprise with paid-up capital of over US\$5 million and engaged in the provision of high technology business services in the Zhuhai Special Economic Zone, the Group's operating subsidiary in the PRC, Armarda Technology (Zhuhai) Limited ("Armarda Zhuhai") was fully exempted from PRC income tax for the first two profitable years in FY2004 and FY2005 and was entitled to 50% exemption from the applicable standard income tax rate for the further three years in FY2006, FY2007 and FY2008 if its production-oriented revenue exceeds 50% of its total revenue in each year (the "50% Criteria"). As Armarda Zhuhai did not meet the 50% Criteria in FY2008, Armarda Zhuhai was subject to PRC income tax at 20% for FY2009.

On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the new Corporate Income Tax Law of the People's Republic of China ("new tax law") which has taken effect on 1 January 2008. Since Armarda Zhuhai is registered in the Zhuhai Special Economic Zone, from 1 January 2008, the income tax rate is expected to gradually increase from 18% to the standard rate of 25% over a five-year transition period.

Pursuant to the new tax law passed on 16 March 2007, a 10% withholding tax will be levied on dividends declared to foreign investors from the PRC entity effective from 1 January 2008. A lower withholding tax rate may be applied if there is a tax treaty arrangement between the PRC entity and the jurisdiction of the foreign investors. Since Armarda Zhuhai is wholly owned by Armarda Technology (Hong Kong) Limited, a Hong Kong registered company, the applicable withholding tax rate will be 5%. On 22 February 2008, Caishui (2008) No.1 was promulgated by the tax authorities to specify that dividends from the retained earnings as at 31 December 2007 are exempted from the withholding tax. No provision for PRC profits tax was made, as there was no assessable profits for PRC profits tax for the third quarter of FY2009.

No Singapore income tax was payable in respect of the Group's operations in Singapore, as such operations sustained losses for income tax purposes in the third quarter of FY2009.

### **Interest in an associate**

As at 30 September 2009 this comprised of investments of the Group in 45% shareholding interests in Fesco E-HR Service (Beijing) Co., Ltd. as follows :

The Group has entered into a joint venture agreement with the Fesco Group to subscribe for 90% of the newly issued share capital to the amount of RMB20 million of Fesco E-HR Service (Beijing) Co., Ltd. (Fesco E-HR) at a total capital contribution amount of RMB18 million with effect from 1 April 2007. The post share-increase shareholding of the Group in Fesco E-HR is 45%. The whole capital contribution to Fesco E-HR was completed in FY2008. As at 30 September 2009, Fesco E-HR remains as an associate of the Group.

The 45% share of profit from Fesco E-HR in the third quarter of FY2009 which amounted to approximately HK\$0.2 million represented the Group's total share for the net profit after tax of this associate for the third quarter of FY2009 (approximately HK\$0.4 million for the third quarter of FY2008) has been equity accounted for in the Group's third quarter ended 30 September 2009.

### **Property, plant and equipment**

The total net book value of the Group's property, plant and equipment of approximately HK\$8.7 million as at 30 September 2009 mainly comprised of leasehold properties of approximately HK\$7.0 million, leasehold improvements of approximately HK\$0.3 million, furniture, fixtures, computer and other equipment of approximately HK\$1.2 million, and motor vehicles of approximately HK\$0.2 million.

### **Intangible assets**

The intangible assets of approximately HK\$93 million arise from the acquisition of BTL.

Pursuant to an announcement made on 6 February 2006 and a subsequent shareholders' resolution passed on the 22 April 2006 at the Company's annual general meeting held in Singapore, the Company has completed the acquisition of 250 shares from Mr. Lee Man Lung, Vincent (the "Vendor"), representing 25% of the total issued capital of Brilliant Time Limited (BTL) on 18 June 2006. BTL was considered an associate of the Group and the share of its profit after tax has been equity accounted for since 18 June 2006.

Subsequently on 21 November 2007, one of our subsidiaries, Armarda Holdings Limited, entered into a sale and purchase agreement with the Vendor, to acquire from the Vendor an additional 55% equity interests in BTL for a net consideration of HK\$72.9 million ("Proposed Acquisition").

The above transaction was subsequently approved by the shareholders of the Company in a special general meeting held on 19 January 2008 in Singapore. Upon completion of the transaction, BTL has become an 80% owned subsidiary of the Group and full consolidation of BTL's financial statements into the Group's financial statements commenced from the first quarter of FY2008. Accordingly, with effect from 19 January 2008, BTL no longer exists as an associate of the Group.

Subsequently on 23 December 2008, one of our subsidiaries, Armarda Holdings Limited, entered into a sale and purchase agreement with the Vendor, to acquire from the Vendor an additional 20% equity interests in BTL for a net consideration of HK\$27.2 million. The transaction was completed on 8 January 2009 and BTL became an 100% owned subsidiary of the Group and 100% full consolidation of BTL's financial statements into the Group's financial statements commenced from the first quarter of FY2009.

Subsequently, the management considered the slow down of IT spending in PRC market and conducted an impairment review by comparing the recoverable amount and the carrying amount. HK\$28 million impairment loss was recognized in the third quarter of FY2009. Details of which have been disclosed in the above section.

### **Prepayments**

The prepayments increased by approximately HK\$1.3 million to approximately HK\$2.6 million as at 30 September 2009 from approximately HK\$1.3 million as at 31 December 2008, representing the second phase payment for the development of an intangible asset for Shanghai media project in the second quarter of FY2009..

### **Other assets**

Other assets as at 30 September 2009 amounted to approximately HK\$0.9 million (31 December 2008 of approximately HK\$0.9 million) comprised the costs of transferable life membership of golf club.

### **Trade and other receivables**

The following is a breakdown of the total trade and other receivables of the Group as at 30 September 2009:

	30.09.2009 HK\$'000	31.12.2008 HK\$'000
Trade receivables	41,693	46,765
Refundable deposit on acquisition	-	14,320
Refundable deposit on bids in the PRC	3,977	-
Goodwill deposit	22,678	22,678
Other prepayments and receivables	39,770	36,582
	<u>108,118</u>	<u>120,345</u>

### Trade receivables

The Group's trade receivables decreased by approximately HK\$5.1 million to approximately HK\$41.7 million as at 30 September 2009 from approximately HK\$46.8 million as at 31 December 2008, mainly attributed by the decrease in IT revenue generated and collection of debts in the third quarter of FY2009. Based on historical default rates, the management believes that no impairment allowance is necessary in respect of trade receivables balance. All the trade and other receivables are expected to be recovered.

The refundable deposit on acquisition in relation to BTL has been utilised as part of the acquisition proceeds in January 2009 for the 20% equity interest in BTL.

The refundable deposits on bids in the PRC relates to deposits made pursuant to bids or tenders for the Group's projects in the PRC.

### Goodwill deposit

#### Intent for possible equity interest in China Vision Intelligent Card Reader Co., Ltd. ("CVIC")

One of the subsidiaries of the Company, Armarda Technology (Zhuhai) Limited ("ATZH"), had as a demonstration of goodwill on 28 November 2008, entered into a non-binding conditional letter of intent ("**Letter**"), to further its preliminary discussions and review on the possible acquisition of an interest of 25% to 30% equity interest in CVIC for a possible consideration of approximately RMB37.5 million to approximately RMB45.0 million. CVIC, a PRC company is involved in the business of providing card readers and solutions for the PRC Government and its products have been used for applications involving, *inter alia*, security passes and identification cards and passports (biometric).

As a demonstration of goodwill and ability, and as a pre-condition for the release of relevant information for review and negotiations for the terms (if any) for a subsequent transaction, ATZH had subsequently made, pursuant to the Letter, a refundable goodwill deposit of approximately HK\$22.7 million (equivalent of RMB20.0 million). The deposit is refundable at the management's sole discretion.

Subject to the outcome of the management review and due diligence as well as satisfactory terms and conditions and the Directors' approval, a conditional sales and purchase agreement will be executed. The Letter is subject, *inter alia*, to:

- a. satisfactory completion of a preliminary round of review, and due diligence, of CVIC and its business; and
- b. satisfactory completion and agreement of all parties with respect to the terms and conditions for any subsequent transaction.

The sale and purchase agreement, if any, in the event that is executed will be subject, *inter alia* to the completion of legal and financial due diligence, the approval of shareholders of the Company and/or the Singapore Exchange Securities Trading Limited (the "**Exchange**") as well as the approvals of the relevant governmental authority (where applicable). As at the date of this result announcement, ATZH is still working towards a final sale and purchase agreement on the intent acquisition.

## Other prepayments and receivables

The following is a breakdown of other prepayments and receivables of the Group as at 30 September 2009:

	30.09.2009 HK\$'000	31.12.2008 HK\$'000
Working capital advance to Xintian eAccess Group	9,995	7,109
Short term project advances	17,009	17,009
Other receivables	12,766	12,464
	<u>39,770</u>	<u>36,582</u>

## Subscription of 46% equity interest in Xintian eAccess Limited and its subsidiary ("Xintian eAccess Group")

On 16 January 2009, one of the subsidiaries of the Group, Armarda eAccess Technology Limited ("Armarda eAccess") had, together with Breakout Visions Inc. and the founder of Xintian eAccess Limited, Qian Kang (collectively the "**Subscribers**"), entered into a conditional subscription agreement ("**Subscription Agreement**"), to subscribe ("**Proposed Subscription**") for such number of new ordinary shares in the capital of Xintian eAccess Limited ("**Xintian eAccess**") and its wholly owned subsidiary called Yi Wei Advertising Company Limited ("**YWACL**") (Collectively known as "**Xintian eAccess Group**"). Xintian eAccess is a HK\$1.00 company incorporated in British Virgin Islands and is in the media industry

The subscription amount payable by Armarda eAccess is approximately HK\$4.6 million in cash which will result in Armarda eAccess having an interest of approximately 46% in the enlarged capital of Xintian eAccess following the completion of the Proposed Subscription. Other than the subscription of new shares from all the parties for Xintian eAccess, the parties other than Armarda are expected to contribute to the venture, in terms of securing of projects and also contribute to the venture in view of their technical skills.

In addition, Armarda eAccess has committed to extend a working capital loan to Xintian eAccess up to a limit of HK\$10 million, for the working capital requirements of the Xintian eAccess Group. As at 30 September 2009, Armarda eAccess has advanced approximately HK\$10 million to the Xintian eAccess Group. The advance would be repaid to Armarda eAccess once the subscription funds from the Subscribers is fully received by Xintian eAccess.

There is no net asset value, net tangible asset value and profit attributable to the assets of Xintian eAccess being acquired pursuant to the subscription by Armarda eAccess as it has minimal paid-in capital and was previously dormant.

As at the date of this announcement, the Proposed Subscription has not been completed. Further announcements will be made when the subscription of the new ordinary shares of Xintian eAccess is effected.

## Cash and cash equivalents

The following is a breakdown of cash and cash equivalents of the Group as at 30 September 2009:

	30.09.2009 HK\$'000	31.12.2008 HK\$'000
Deposits with banks	28,275	35,151
Cash at banks and in hand	10,412	30,792
<b>Total cash and cash equivalents</b>	<b>38,687</b>	<b>65,943</b>

Please refer to page 17 on "Cashflows" on the decrease in cash and cash equivalents.

#### **Other payables and accruals**

The following is a breakdown of the total other payables and accruals of the Group as at 30 September 2009:

	30.09.2009 HK\$'000	31.12.2008 HK\$'000
Accrued subcontracting charges	1,308	7,864
Acquisition proceeds payable	17,000	21,800
Other deposits and accruals	1,620	5,731
	<b>19,928</b>	<b>35,395</b>

Accrued subcontracting charges represents outstanding support charges due to independent subcontractors for services rendered to the Group's customers in the PRC. It decreased by approximately HK\$6.6 million from approximately HK\$7.9 million as at 31 December 2008 to approximately HK\$1.3 million as at 30 September 2009 mainly as a result of the decrease in accrued subcontracting charges incurred in the third quarter of FY2009 brought by the corresponding decrease in IT service revenue.

The acquisition proceeds payable represents the balance of the third tranche payment of HK\$17,000,000 in relation to the acquisition of 55% equity shares of BTL from Mr. Vincent Lee pursuant to the Sales & Purchase Agreement approved by shareholders in the General Meeting held and effected on 19 January, 2008. HK\$4.8 million escrow held has been paid in the first quarter of 2009.

Other deposits and accruals decreased by approximately HK\$4.1 million to approximately HK\$1.6 million as at 30 September 2009 from approximately HK\$5.7 million as at 31 December 2008 as a result of settlement of the outstanding FY2008 accrued corporate and professional expenses.

#### **Reserves**

The following is a breakdown of the Reserves of the Group as at 30 September 2009:

	30.9.2009 HK\$'000	31.12.2008 HK\$'000
<b>Share premium</b>	<b>108,612</b>	<b>110,582</b>
<b>Foreign exchange translation reserve</b>	<b>25,066</b>	<b>25,066</b>
<b>PRC statutory reserve</b>	<b>5,863</b>	<b>5,863</b>
<b>Revaluation reserve</b>	<b>98</b>	<b>98</b>
<b>Employee share-based capital reserve</b>	<b>12,544</b>	<b>9,700</b>
<b>Retained profits</b>	<b>99</b>	<b>44,551</b>
	<b>152,282</b>	<b>195,860</b>



- In accordance with the relevant PRC laws applicable to enterprises with foreign investment, Armarda Zhuhai is required to transfer at least 10% of its annual net profit determined under PRC accounting regulations to the PRC statutory reserve. This reserve can be used to convert into paid-in capital and offset to reduce prior years' losses, if any.
- The foreign exchange translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign entities that are not integral to the operation of the Company.
- Revaluation reserve relates to the revaluation to fair value of identifiable assets and liabilities acquired.
- Employee share-based capital reserve relates to the fair value of the share options scheme granted to the directors and employees of the Group as at the grant date, which is charged to income statement according to the vesting period.

### **Minority Interest**

Minority interest became a nil balance as at 30 September 2009 (31 December 2008: approximately HK\$8.3 million), which was the result of the acquisition of the remaining 20% interest of Brilliant Time Limited ("BTL") on 8 January 2009 whereby BTL became a wholly owned subsidiary of the Group, and accordingly all minority interest in BTL ceased to exist as at 30 September 2009.

### **Cashflows**

The Group used approximately HK\$0.9 million in its operating activities in the third quarter of FY2009, as compared to an inflow generated of approximately HK\$1 million in the third quarter of FY2008. This is primarily due to the cash used in operating activities of HK\$5.9 million was offsetted by the decrease in trade and other receivables of HK\$5.4 million..

The Group used approximately HK\$0.4 million in its investing activities in the third quarter of FY2009, which remained closely the same as the third quarter of FY2008, for the purchase of plant, property and equipment.

The Group used HK\$11,000 to repay its finance lease obligations in the third quarter of FY2009.

Overall, the Group used approximately HK\$1.3 million in the third quarter of FY2009 as compared to approximately HK\$0.6 million being generated in the third quarter of FY2008, with a decline in cash and cash equivalents of approximately HK\$27.2 million for the nine months ended FY2009.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results**

Not applicable.

**10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months**

The global financial turmoil had shown its continuous impact to the PRC IT industry and the overall market condition remained difficult and deteriorating since the last reporting period. The management expects that such trend will continue for the upcoming periods and we will strive to maintain the Group's business momentum by more actively looking for new business opportunities with growth potentials for the next reporting period.

**11. Dividend**

**If a decision regarding dividend has been made :-**

**(a) Whether an interim (final) ordinary dividend has been declared (recommended)**

None.

**(b)(i) and (b)(ii) Amount of dividend per share of the current reporting financial period and of the previous corresponding period.**

Nil (FY2008 : nil).

**(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).**

Not applicable.

**(d) The date the dividend is payable**

Not applicable.

**(e) The date on which Registrable Transfers received by the company (up to 5.00pm) will be registered before entitlements to the dividend are determined.**

Not applicable.

**12. If no dividend has been declared/recommended, a statement to that effect**

No dividend is declared/recommended in the third quarter ended 30 September 2009

**PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT**  
(This part is not applicable to Q1, Q2, Q3 or Half Year Results)

- 13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year**

Not applicable

- 14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments**

Not applicable

- 15. A breakdown of sales**

Not applicable

- 16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year as follows:-**

**(a) Ordinary**

Nil (FY2008 : Nil)

**(b) Preference**

Nil (FY2008 : Nil)

**(c) Total**

Nil (FY2008 : Nil)

- 17. Negative assurance on interim financial statements**

To the best knowledge of the Board of Directors, nothing has come to the attention of the Board of Directors which may render the interim financial statements to be false or misleading in any material aspect..

**BY ORDER OF THE BOARD**

**13 November 2009**

*This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("Sponsor"), Asian Corporate Advisors Pte. Ltd., for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("Exchange"). The Company's Sponsor has not independently verified the contents of this announcement including the correctness of any of the figures used, statements or opinions made.*

*This announcement has not been examined or approved by the Exchange and the Exchange assumes no responsibility for the contents of this announcement including the correctness of any of the statements or opinions made or reports contained in this announcement.*

*The contact person for the Sponsor is Ms Foo Quee Yin  
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